

FY 2001 CONGRESSIONAL BUDGET REQUEST  
ELK HILLS SCHOOL LANDS FUND

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses in fulfilling [the second] installment [payment] *payments* under the Settlement Agreement entered into by the United States and the State of California on October 11, 1996, as authorized by section 3415 of Public Law 104-106, [\$36,000,000 to become available on October 1, 2000] for payment to the State of California for the State Teachers' Retirement Fund from the Elk Hills School Lands Fund *to become available on October 1 of the fiscal year specified and to remain available until expended, as follows: for fiscal year 2002, \$36,000,000; for fiscal year 2003, \$36,000,000; for fiscal year 2004, \$36,000,000; for fiscal year 2005, \$60,000,000; for fiscal year 2006, \$60,000,000.*

DEPARTMENT OF ENERGY  
FY 2001 CONGRESSIONAL BUDGET REQUEST  
ELK HILLS SCHOOL LANDS FUND  
(Tabular dollars in thousands, Narrative in whole dollars)

Elk Hills School Lands Fund

**I. Mission Supporting Goals and Objectives:**

Pursuant to Public Law 104-106, the National Defense Authorization Act (the Act) for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. Section 3415 of the Act required, among other things, that the Department make an offer of settlement to the State of California with respect to its longstanding claims to two parcels of land ("school lands") within NPR-1. The Act also provided for nine percent of the net sales proceeds to be reserved in a contingent fund in the Treasury for payment to the State, subject to appropriation. The Department's estimate of nine percent of the net sales proceeds is \$324 million, of which \$298 million has already been deposited into the contingent fund. The Department will adjust the amount in the contingent fund once all divestment related costs have been paid.

In compliance with the Act and in order to remove any cloud over title which could diminish the sale value of the Reserve, the Department entered into a Settlement Agreement with the State on October 11, 1996. The Agreement calls for payment from the contingent fund to the State, subject to appropriation, of nine percent of the net sales proceeds, payable over a seven-year period (without interest), commencing in Fiscal Year 1999. Under the Settlement Agreement, the first five installments are for \$36,000,000 each year, and the remaining balance is to be paid in two equal installments in years six and seven, FY 2004 and FY 2005.

The first installment payment was appropriated in FY 1999. No appropriation was provided in FY 2000, and the FY 2000 Interior and Related Agencies Appropriations Act provided an advance appropriation of \$36 million to become available in FY 2001. The FY 2001 budget requests an advance appropriation for payment to the State for the fiscal years 2002 - 2006 to be made available on or about October 1 of each fiscal year, as follows: for FY 2002, \$36 million; for FY 2003, \$36 million; for FY 2004, \$36 million; for FY 2005, \$60 million; for FY 2006, \$60 million.

**II. A. Funding Schedule:** Elk Hills School Lands Fund

<u>Activity</u>	<u>FY 1999 Enacted</u>	<u>FY 2000 Enacted</u>	<u>FY 2001 Request</u>	<u>\$ Change</u>	<u>% Change</u>
Installment Payment	\$ 36,000	\$ 0	\$ 36,000	+\$36,000	N/A
Total, Elk Hills School Lands Fund	<u>\$ 36,000</u>	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>+\$36,000</u>	N/A

**II. B. Laboratory and Facility Funding Schedule:**  
Elk Hills School Lands Fund

<u>Activity</u>	<u>FY 1999 Enacted</u>	<u>FY 2000 Enacted</u>	<u>FY 2001 Request</u>	<u>\$ Change</u>	<u>% Change</u>
State of California	\$ 36,000	\$ 0	\$ 36,000	+\$36,000	N/A
Total, Elk Hills School Lands Fund	<u>\$ 36,000</u>	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>+\$36,000</u>	N/A

**III. Performance Summary: Elk Hills School Lands Fund**

Activity	FY 1999	FY 2000	FY 2001
Installment Payment	Provided funding for the first installment payment to the State of California under the terms of a settlement agreement regarding the State's claim to certain lands within NPR-1. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.	The appropriation delayed payment of the second installment until on or about October 1, 2000. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.	Provides funding for payment to the State in fiscal years 2002 through 2006, to be paid on or about October 1 of each fiscal year. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.
Total, Elk Hills School Lands	\$36,000	\$0	\$36,000